Opponents of such changes contend that making them would expand the use of unskilled labor and lower the wages of construction workers. It is also argued that relaxing Davis-Bacon standards would jeopardize the quality of federally funded or assisted construction projects.

The Administration's budget does not contain any proposals for modifying the Davis-Bacon Act.

NDD-31 CONVERT UNDERUSED ACUTE-CARE BEDS IN VA HOSPITALS

Savings from CBO Baseline	Annual Savings (millions of dollars)					Cumulative Five-Year Savings
	1987	1988	1989	1990	1991	
Budget Authority	75	130	190	260	300	950
Outlays	85	120	190	250	310	950

The Veterans Administration (VA) operates a wide range of medical and health-related services, including 172 hospital centers and 114 nursing homes. Because VA hospital centers are experiencing rising demand for long-term care, mainly because of the rapidly increasing veteran population over age 65, the VA has been expanding its number of nursing homes at the rate of about four per year. About 20 percent of VA hospitals have very low occupancy rates, however, and one-tenth of the total acute-care beds are used for patients needing long-term care.

If the VA converted its underused acute-care beds to nursing home care, it could scale back plans for the costly construction of new nursing homes. In some areas, it would even be possible to convert entire underused VA hospitals to nursing homes, which would reduce their staffing and equipment costs. Most underused beds would be immediately available for conversion, whereas others could be converted in later years after improved VA planning and placement of more patients in non-VA nursing homes and outpatient clinics in lieu of keeping them for long stays in VA hospitals. 1/ Converting roughly 5,500 of the VA's 78,400 hospital beds would save $85 million in outlays in 1987 and about $950 million over the 1987-1991 period.

Advocates of such conversions point to the prospect of better suiting VA medical services to the patients being treated. They suggest that, because elderly veterans are a growing proportion of VA patients, an imbalance exists in the ratio of hospital to nursing home beds. Opponents counter that aging veterans will need more acute-care treatment as well as services for long-term care. They view the potential closing of hospitals in some

1. See CBO, *Veterans Administration Health Care: Planning for Future Years* (April 1984).

areas as reducing access to care for veterans who might prefer VA over private-sector hospital care. Furthermore, existing preferences for VA care could increase if Medicare coverage required higher out-of-pocket payments, or if state Medicaid eligibility requirements became more restrictive in future years.

Legislative action would be required to allow the VA to pursue the conversion of a significant number of hospital beds. Current law now requires the VA to staff and operate at least 90,000 hospital and nursing home beds, and bed conversions could temporarily lower the total number below that minimum. In addition, in areas where VA hospitals were closed or entirely converted to nursing homes, transportation benefits could be expanded to allow veterans to receive VA hospital care in nearby areas, although this would lower savings somewhat.

The Administration's budget would require excess hospital beds to be converted as they were identified. This option would be given lower priority, however, than other proposals in the budget that would place many more veterans in non-VA community and state veterans' homes than in VA-operated homes.

NDD-32 REQUIRE COST SHARING FOR VA HOSPITAL CARE

Savings from CBO Baseline	Annual Savings (millions of dollars) 1987	1988	1989	1990	1991	Cumulative Five-Year Savings
Budget Authority	170	310	340	370	400	1,590
Outlays	170	310	340	370	400	1,590

The Veterans Administration (VA) currently provides free hospital care first to veterans with service-connected injuries or illnesses, and then to other special groups of veterans without such disabilities, as beds are available. Among the latter--now 65 percent to 70 percent of all patients--are veterans who claim they cannot defray the costs of care elsewhere and veterans age 65 or older, who are eligible for care without regard to income, health insurance coverage, or financial need. All nonpoor veterans without service-connected disabilities could be required to make copayments equal to those under Medicare for the first 90 days of inpatient care. In 1987, veterans would pay about $552 for the first 60 days of a hospital stay and $138 for each day thereafter. This approach would enable the Congress to reduce VA appropriations so that net outlay savings would be $170 million in 1987 and $1.6 billion over the next five years. (Savings would be net of increases in administrative costs.) These savings would come from copayments by those remaining in the VA system and lower costs of providing VA services because some would seek health care elsewhere.

Proponents of such a change believe the VA's primary responsibility is to provide medical care to veterans with service-connected disabilities. They suggest that, over the next five years, increased demand from growing numbers of veterans reaching age 65 could jeopardize the VA's ability to meet adequately the needs of service-disabled and poor veterans. Establishing deductible amounts and coinsurance requirements for nonpoor veterans without service-related conditions would reduce their use of VA services by making VA care less attractive compared with private alternatives. It would also shift some of the rising costs of medical care to nonpoor recipients, many of whom are accustomed to cost-sharing arrangements at non-VA facilities.

Others suggest that copayment requirements would unfairly burden elderly veterans or limit their access to necessary care. Although VA patients would pay only a small portion of the costs of their care under this option, some opponents object to requiring copayments from combat veterans simply because they are not defined as poor.

The Administration's budget would not require cost sharing for VA hospital care.

NDD-33 LIMIT ELIGIBILITY FOR VA HOSPITAL CARE TO SERVICE-DISABLED AND POOR VETERANS

Savings from CBO Baseline	Annual Savings (millions of dollars) 1987	1988	1989	1990	1991	Cumulative Five-Year Savings
Budget Authority	670	1,050	1,150	1,250	1,400	5,520
Outlays	560	870	940	1,000	1,100	4,470

Under current law and practices, the Veterans Administration (VA) provides inpatient hospital care to eligible veterans on a space-available basis, with first priority given to veterans with service-connected injuries or illnesses. If VA-supported hospital care were limited to veterans with service-connected disabilities and those unable to defray the costs of medical care, VA appropriations could be lowered relative to baseline levels, yielding federal savings of $560 million in 1987 and $4.5 billion over the 1987-1991 period. (Savings would be net of increases in both administrative costs and costs to the Medicare program.)

Almost one-fifth of the expected VA patients would be affected by this approach, many of whom would be patients without service-connected disabilities who are over age 65 and not now required to be unable to defray medical costs. In addition, some veterans under age 65 who are currently eligible for VA care would not meet a strict needs test. Financial need could be based on income, with automatic eligibility for those receiving means-tested benefits, such as veterans' pensions and food stamps.

Proponents favor this option principally because they believe that the VA's primary responsibility is to provide care to the service-disabled, and that VA resources should not be expanded solely to meet the future needs of the non-service-disabled. They note that most veterans have access to private hospital care and have adequate insurance for hospitalization.

On the other hand, if the VA served significantly fewer veterans, it might have to scale back its medical school affiliations and, as a result, might no longer be able to provide quality care to some service-disabled veterans. Further, if the VA hospital system was reduced, it might not retain enough reserve capacity for military needs in time of war or national emergency. Opponents also suggest that care for non-service-related ailments was earned as an entitlement during service in the armed forces and any reduction in this care would violate an implicit contract. Finally, some argue that even if this option were adopted, VA appropriations should not be reduced because there would be some eligible veterans who would substitute for those not served.

The Administration's budget would make a similar change in eligibility for VA medical care, and it would allow veterans with higher incomes to become eligible for care after spending specific amounts of their incomes in non-VA facilities. For those non-service-disabled veterans still served, the VA would be given the authority to recover some of the costs of their care from private insurers.

PERSONNEL COSTS

This category presents seven options for reducing the government's costs for travel and for federal employee compensation--mainly pay and retirement benefits. The first option suggests curtailing annual pay adjustments for federal civilian employees. The next two options, PERS-02 and PERS-03, address the outlay savings that would accompany less liberal retirement provisions such as restricting the size of future cost-of-living adjustments. PERS-04 considers the near-term budgetary impacts of pending legislative proposals that would create a new supplemental retirement system for civilian employees covered by Social Security.

PERS-05 would require the U.S. Postal Service to bear the full cost of certain health and retirement benefits that are currently funded by federal taxpayers. The remaining two options would reduce the costs of the Federal Employees Health Benefits Program and limit travel expenses.

The estimated savings for each of the seven options were developed relative to the CBO baseline. Implementing two or more of the options together could reduce the savings below the sum of the amounts indicated for each item.

PERS-01 CAP PAY ADJUSTMENTS FOR FEDERAL CIVILIAN EMPLOYEES

Savings from CBO Baseline	Annual Outlay Savings (millions of dollars)					Cumulative Five-Year Savings
	1987	1988	1989	1990	1991	
Budget Authority	800	2,230	3,390	4,500	5,890	16,810
Outlays	820	2,270	3,460	4,580	5,980	17,110

Under current law, the nation's 2.2 million federal employees may receive an annual pay adjustment based on a comparison of federal and private-sector salaries for comparable jobs. More than $17 billion in outlays could be saved over five years if the Congress continued limitations on civilian nonpostal pay raises. (Legislated pay limitations do not apply to the 750,000 postal workers because their wages are fixed through collectively bargained agreements.)

Only once during the past 10 years have annual pay adjustments for federal civilian workers been granted both at the time prescribed and at levels stipulated as necessary to make federal workers' pay comparable to private-sector rates. The successive limitations on pay increases, culminating in no pay raise at all since January 1985, have been adopted largely because of overriding economic and budgetary considerations.

As a result of past austerity, and in terms of current comparisons, federal white-collar salaries are estimated to lag significantly behind private-sector salaries for similar jobs. The salary gaps are large in professional and administrative jobs at entry and higher levels.

This option assumes that pay adjustments for 1987 through 1991 would be tied to the prior-year increase in the Consumer Price Index (CPI); that an additional one-percentage-point reduction would apply to the 1987 and 1988 adjustments; and that a January effective date would continue the three-month delay that was imposed in 1984 and 1985. This approach would assure a reduction in real pay levels, but would limit its extent. The estimated savings are measured against the CBO baseline assumption that annual October adjustments match private-sector pay increases, but not the attained wage and salary levels.

Those who favor further limitations on federal pay increases argue that such action is required to help reduce projected budget deficits despite the potential loss of quality in both the federal civil service and the work it produces. Continued pay caps, proponents also note, would be in keeping with pay austerity measures taken by some private firms and by some state and local governments. They also cite federal personnel practices such as rapid promotions and overgrading of jobs that may offset low pay scales for particular workers. The Administration believes that the size of the federal-private pay gap has been exaggerated by the survey methods used in measuring pay comparability.

Critics of continued pay limitations recognize that full comparability between federal and private pay cannot be achieved at present. They believe, however, that the government cannot continue indefinitely the practice of paying below-scale salaries and wages for large numbers of employees. Their case is reinforced by a management consulting firm report requested by the the House of Representatives. It concludes that federal white-collar salaries in March 1984 lagged behind private-sector salaries, paid by medium-to-large private firms, by an average of 10 percent. When retirement and other benefits are considered, the report shows the lag shrinking to about 7 percent (but two years of continued restraint have probably widened this gap). Despite the debate about differences in levels of pay, opponents of continued pay limitations also note that over the past 10 years federal white-collar pay raises have lagged behind private-sector pay raises by almost 20 percent. Obviously, the 1986 federal pay freeze will accentuate pay disparities.

Continued arbitrary restrictions that result in loss of real income and do not keep pace with private-sector wage increases--let alone pay levels--arguably would lower employee morale and entail the hiring of less experienced and lower-quality workers. The threat to the quality of the work force may be especially worrisome at a time when greater numbers of federal employees may be retiring because of the 1986 pay freeze and because of impending changes in the Civil Service Retirement program. Worker inexperience, while not widespread, has already contributed to documented disruptions of some income tax processing by the Internal Revenue Service. The enormous breadth and variety of federal employment makes it difficult to anticipate the effects of pay limits alone on overall recruitment and retention. Senior workers, for example, derive considerable compensation from federal retirement benefits that are often viewed as recompense for modest salaries while employed. Even where valuable retirement benefits may warrant some pay restraint, the magnitude of current pay disparities has lowered the attractiveness of federal careers, especially for new workers. (Pending reform legislation would restructure the retirement program for new employees, and other retirement changes might also be considered. See PERS-03 and PERS-04.)

The 2.4 percent pay increase provided by this option for 1987 allows more take-home pay than proposals in the President's budget, which provide for a 3 percent pay increase coupled with a 2 percent-of-pay offset for higher mandatory withholdings for civil service retirement. At first glance, the combined effect of the President's plan seems to offer a 1 percent increase in take-home pay. But employees in high tax brackets would face a decline in disposable income as the combined rise in taxes and retirement withholdings would exceed the pay increase.

PERS-02 ELIMINATE COST-OF-LIVING ADJUSTMENTS FOR FEDERAL RETIREES UNDER AGE 62

Savings from CBO Baseline	Annual Outlay Savings (millions of dollars)					Cumulative Five-Year Savings
	1987	1988	1989	1990	1991	
Military Retirement	270	750	1,230	1,730	2,220	6,200
Civilian Retirement	90	200	220	220	200	930
Total	360	950	1,450	1,950	2,420	7,130

The Civil Service Retirement (CSR) and Military Retirement (MR) systems now provide benefits for about 3.4 million people at an annual cost of $42 billion. About 60 percent of MR beneficiaries and 13 percent of CSR beneficiaries are nondisabled retirees under age 62. Benefit payments in 1986 for this relatively young group exceed $14 billion. Cost-of-living adjustments (COLAs) for federal retirees that begin before age 62 are expensive, superior to those provided private-sector retirees, and fully paid for by the government. This option, a two-step approach, would eliminate COLAs for nondisabled retirees under age 62; grant a catch-up raise at age 62 equal to the accumulated rate of inflation since retirement; and provide full COLAs thereafter. It would reduce outlays through 1991 by $7 billion. About 82 percent of this savings would derive from current retirees, and the rest from those retiring in the next five years.

Recent budget reduction measures have restricted the size and timing of COLAs for all annuitants receiving federal retirement, disability, and survivor benefits. Most recently, the 3.1 percent increase scheduled for January 1986 was permanently eliminated by the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177). The President's budget proposals for 1987 would extend the federal COLA freeze one more year--regardless of the annuitant's age or ability to work. Social Security COLAs, by contrast, would not be curtailed. (ENT-12 would restrict federal retirement and Social Security COLAs.)

COLAs for federal retirees generally equal 100 percent of inflation, as measured by the annual change in the CPI, regardless of the recipient's age.

Social Security COLAs, on the other hand, are automatic and keep pace with inflation, but employees cannot draw Social Security retirement until age 62. In addition to Social Security, less than half of the retirees in the private sector also are covered by employer-provided pension plans. These individuals typically receive pension COLAs, on an ad hoc basis, that eventually recover nearly 40 percent of general price increases.

This option, if adopted, would reduce inflation protection and thus real benefits for federal retirees of working age. It would dramatically reduce benefits for MR employees, who retire at an average age of 43. At age 62 and beyond, however, the option would completely index federal pensions for price increases since retirement. The ensuing adjustments, with the catch-up, would remain more generous than the partial inflation protection for those receiving private pensions combined with Social Security.

Because considerable planning and changes in personal affairs often precede decisions to retire, opponents of this option argue that changing the rules for people after they retire or for those close to retirement is unfair. Further, some believe that future budgetary pressures may either erode the size of the catch-up adjustment or delay it beyond age 62. Critics also note that this proposal penalizes retirees who have served the government for at least 20 years--the very employees the retirement systems were designed to reward. CBO estimates that this option would ultimately induce the loss of 50,000 military personnel with over four years of service, and would thus engender a shift to a less experienced and lower-skilled military force. Although this junior force would have smaller pay and benefit costs than the present one, the government's recruitment, training, and turnover costs would rise.

Proponents counter that in order to realize large deficit reductions the Congress must consider alternative COLA provisions that generate considerable near-term savings. One possibility, incorporated in the President's budget and in the sequestration mechanism of the Balanced Budget Act, is to curtail adjustments for all federal annuitants. Other alternatives could pivot directly, or indirectly like this option, on the beneficiary's earnings ability. In general, financial hardships from smaller COLAs would be more pronounced for disabled and survivor annuitants than for the relatively young retirees targeted by this option, who should be in a better position to accommodate a temporary loss in real benefits. Presumably, these young retirees are able to supplement their federal pensions by working--as most military retirees already do.

PERS-03 REDUCE CIVIL SERVICE RETIREMENT BENEFITS

Savings from CBO Baseline	Annual Outlay Savings (millions of dollars) 1987	1988	1989	1990	1991	Cumulative Five-Year Savings
Budget Authority	--	60	130	180	220	590
Outlays	100	240	300	380	460	1,480

Nearly all federal civilian workers hired after December 1983 participate in Social Security's Old-Age, Survivors, and Disability Insurance (OASDI) programs and a yet-to-be-defined supplemental retirement plan. But 1.9 million annuitants and 2.4 million workers, including employees of the U.S. Postal Service, participate in a retirement program that predates and remains independent of Social Security--the Civil Service Retirement (CSR) system. Compared with the costs of Social Security retirement benefits coupled with typical private employer-provided pensions and capital accumulation plans, CSR benefit costs are high.

The following modifications would bring CSR provisions for current participants closer to those of the private sector and also reduce budgetary costs. They are similar to changes proposed by the President's budget for 1987, except that employee contributions would not change. (Under the President's budget, CSR contributions for most employees would increase from 7 percent to 9 percent of pay.)

- Eliminate cost-of-living adjustments (COLAs) for nondisabled retirees under age 62; grant a catch-up raise at age 62 equal to the accumulated inflation rate since retirement; and provide full COLAs thereafter; this would yield 1991 outlay savings of $200 million. (The change would affect new as well as current CSR retirees; see PERS-02.)

- Change gradually, over the next four years, the salary base used to calculate benefits from a three-year to a five-year average; this would yield 1991 savings of $180 million.

- Phase out, by 1991, the crediting of unused sick leave as years of service when calculating initial retirement benefits; 1991 savings would be $50 million.

- Reduce benefits (earned after October 1986) by 2 percent for each year a person retires before age 62; 1991 savings would be less than $50 million.

With the exception of the provision to restrict COLAs, these modifications would yield relatively small outlay savings in the first five years. But as more and more employees retired, significant savings would accrue from the non-COLA benefit reductions. In particular, on an actuarial or long-term accrual cost basis, the COLA proposal would save less than 0.5 percent of payroll, while the change to a five-year average salary base would save more than 1.5 percent. (See PERS-02 and ENT-12 for other measures that would affect federal retirement benefits.)

Opponents of any cut allege that CSR is part of an "implicit contract" that has linked a generous retirement system to salaries held below market rates. (See PERS-01 regarding continued limitations on federal pay raises.) They also believe it premature to adjust CSR benefits until the dimensions of the forthcoming supplemental retirement program for new federal workers are known (see PERS-04). Finally, many argue that it is inequitable to curtail COLAs for federal workers who are already retired unless similar cuts apply across the board and affect retirees receiving Social Security.

The courts, proponents would respond, have determined that prospective COLAs for federal retirees are not guaranteed. In fact, the Balanced Budget and Emergency Deficit Control Act of 1985 permanently eliminated the federal retirement COLA scheduled for January 1986 and may eliminate future COLAs through 1991. Proponents also note that federal retirement's full COLA provisions, its availability of unreduced retirement benefits at age 55 after 30 years of service, and its basing of benefits on highest average annual earnings over three consecutive years are more generous than the pension practices of private employers. Private pensions typically award COLAs on an ad hoc basis, reduce initial benefit levels for retirement prior to age 62, and base annuities on highest average earnings over five years rather than three years. But private pensions are also integrated with Social Security payments, making comparisons between federal and private benefit practices difficult.

PERS-04 ESTABLISH SUPPLEMENTAL FEDERAL RETIREMENT BENEFITS FOR NEW WORKERS

Savings from CBO Baseline	Annual Outlay Savings (millions of dollars)					Cumulative Five-Year Savings
	1987	1988	1989	1990	1991	
S. 1527	130	240	300	340	350	1,360
H.R. 3660	280	430	540	650	790	2,690

NOTE: For comparative purposes, the estimated savings combine outlay and revenue reductions that pertain to newly hired workers. The potential budgetary effects if current federal employees were allowed to switch to a new retirement plan are not considered.

The Congress is now considering two legislative proposals, H.R. 3660 and S. 1527, that would create a new supplemental retirement system for nearly all federal civilian employees hired after December 1983. Under current law, these workers must participate in Social Security's Old-Age, Survivors, and Disability Insurance (OASDI) programs. In weighing which bill to adopt, or whether to choose some other course, the Congress will consider the effects of the benefit packages on recruitment and retention goals and gauge the potential for long-term savings in personnel costs. But it will also be concerned with the short-term budgetary impacts, which are assessed here.

A key difference between the proposals is the government's long-term accrual cost for new employees as a group. In addition to employer OASDI contributions, which would average about 6 percent of payroll, the Senate bill would generate an accrual cost to the government of 16 percent of annual payroll, according to Congressional Research Service estimates. Thus, in the long run, retirement would cost 22 percent of payroll. Under identical economic and demographic assumptions, the House plan would cost an estimated 25.3 percent of payroll, about the same as the current Civil Service Retirement system. Only the Senate approach, although it too is more generous than the typical private retirement system, would offer the prospect of long-term budgetary savings.

Both bills would add two tiers of payments to OASDI benefits: a voluntary savings plan that would encourage employee participation through a government match; and a defined-benefit tier or pension. The voluntary savings plan would be portable in that a departing worker would retain ownership of his or her savings account. Pension benefits would be based on years of federal service--including military service--but on a different earnings base (average pay of highest five years for S. 1527 versus the highest three years both for the current system and for H.R. 3660). A detailed comparison of the bills is complicated by the fact that employees would choose between two approaches under S. 1527, referred to as Options A and B. The first option would emphasize the voluntary savings plan relative to the defined-benefit tier. It would facilitate job mobility, which is especially appealing to younger workers and to those not planning to retire as federal employees. Option B and H.R. 3660 would provide more generous cost-of-living adjustments (COLAs), require larger employee contributions, and place greater weight on the defined-benefit plan, the tier most appealing to prospective career civil servants.

Either bill, if enacted, would lower budget deficits over the next five years. Estimated near-term budgetary savings for both bills derive from two common sources. First, some employee contributions to the voluntary savings plans would be retained by the government as special U.S. securities. By current accounting conventions, this would lower the deficit. Second, both bills would require the U.S. Postal Service to pay its fair share of the new supplemental retirement plan costs, which this estimate assumes would come from increased postage rates. (The estimate assumes the higher postal costs for retirement would be funded in the year incurred. If not, postal revenues would rise in subsequent years.) In addition, H.R. 3660 requires employee contributions and does not allow savings plan contributions to be deducted from taxable income, while the Senate bill, in extending Section 401(k) of the Internal Revenue Code to federal employees, would allow deferral of taxes on any contributions to the voluntary savings plans until those amounts were withdrawn. These differences account for most of the much greater savings under the House plan. But these short-term budgetary gains, relative to the Senate bill, would be offset in later years by higher pension payments.

PERS-05 REQUIRE THE POSTAL SERVICE TO PAY THE FULL COST OF RETIREMENT AND OTHER BENEFITS

Savings from CBO Baseline	Annual Outlay Savings (millions of dollars)					Cumulative Five-Year Savings
	1987	1988	1989	1990	1991	
Budget Authority a/	--	--	-460	-660	-350	-1,470
Outlays	--	--	1,100	1,350	1,550	4,000

a. Negative amounts denote a net rise in budget authority because the Postal Service would need additional borrowing authority.

The U.S. Postal Service (USPS) does not pay the full employer cost of its employees' retirement benefits or its retirees' health care benefits. Shifting the cost of these indirect subsidies from federal taxpayers to mail users--less than 20 percent of which are households--would generate federal outlay savings through 1991 of $4 billion. The savings would result from increased postage rates.

This option proposes eliminating the indirect USPS subsidies the next time postal rates are increased. (The President's budget would gradually phase out the retirement subsidy, beginning in 1987, and immediately eliminate the health care subsidy.) For estimating purposes, CBO assumes that first-class rates would increase in January 1989 by an extra 4 percent for the indirect health care and retirement costs induced by this option. The 4 percent increase would be in addition to a projected 14 percent rise that would occur, at the same time, in response to higher postal operating costs. The 18 percent total increase would result in a 26-cent first-class stamp. Changing the assumed date that postage rates increase would affect the estimated budgetary savings.

Many analysts have observed that federal subsidies give the USPS an unfair market advantage over competing private-sector firms, leading to overuse of the USPS. Eliminating the indirect subsidies would move the USPS closer to self-sufficiency. 1/ In the view of proponents, this would

1. See also CBO, *Curtailing Indirect Federal Subsidies to the U.S. Postal Service* (August 1984).

also give the Postal Service an incentive to lower costs by improved efficiency while, at the same time, reducing the federal budget deficit. (Other budget reduction measures that would affect the Postal Service include PERS-04, NDD-04 and NDD-19.) As an alternative to this option, some analysts might favor letting the USPS set up independent retirement and health care programs through collective bargaining.

Opponents would argue that it is unfair to charge the USPS for the full cost of health care and pension benefits when current law prohibits postal-labor negotiations on these issues. In addition, the USPS might oppose higher retirement payments unless the estimated cost of pension benefits specifically reflects the somewhat special characteristics of the USPS work force, rather than those of all participants in the federal retirement system. (For example, career advancement and turnover patterns for postal employees differ from those of other federal workers.) But the use of a common cost factor for all employees under the same retirement plan is consistent with the recently adopted approach to military retirement, which covers different types of personnel including Air Force officers and Army enlistees.